
ASX ANNOUNCEMENT

21 AUGUST 2023

GDI annual results for the year ended 30 June 2023

GDI¹ is pleased to release its annual financial results for the year ended 30 June 2023.

Operational highlights

Completion of WS2

Practical completion of WS2, Perth's first steel and timber office building, was successfully achieved during 2023. The 9,500sqm office building over 11 floors was built on top of the existing carpark at Westralia Square. The completion of WS2 and the associated precinct works has transformed the Westralia Square complex, with it now presenting as premium grade as its location deserves.

We have now signed leases over four of the 11 floors and have Heads of Agreements over another three. Tenants committing to WS2 include Arup, the environmental engineers who worked on the project and leading property advisor Savills (Aust) Pty Limited. We are pleased with the leasing momentum and look forward to welcoming these tenants once their fit-outs are complete.

WS2 was delivered only marginally above budget at \$63.5 million, compared to the concept stage guidance of \$63.0 million. Total project costs exclude interest and incentives but include approximately \$10.0 million of precinct works. This cost discipline is within a backdrop of construction cost increases of up to 30.0%. Now completed, WS2 has been independently valued at \$90.0 million.

Leasing

Since the start of FY23 we have signed either new leases, lease renewals or Heads of Agreement for nearly 30,000sqm of office space in Perth, representing approximately 30% of our Perth office portfolio², with the majority of this occurring in the last eight months of the financial year. We remain pleased with the levels of leasing enquiry and are encouraged by the apparent strength of the Perth leasing market. With a significant amount of space to lease, particularly in 197 St Georges Terrace, Westralia Square and WS2, and 1 Adelaide Terrace, Perth (GDI No. 36 Perth CBD Office Trust) there is considerable opportunity to add to earnings and FFO.

Co-living Joint Venture

In March and April 2023 GDI signed transaction documents to enter a Joint Venture to own, operate and syndicate co-living mining accommodation (Co-living JV). Our Joint Venture partner, Tulla Group, is the private investment vehicle of the Maloney family, who built The MAC Services Group, a pre-eminent mining accommodation company that was listed on the ASX in April 2007 and sold to Oil States International in December 2010.

The Co-living JV currently owns and operates two assets, a 269 room village at Norseman, WA and the accompanying Lodge Motel and South Hedland Motel with 242 rooms, in South Hedland, WA. The Norseman village has the benefit of a contract with Pantoro Limited, the owner of the nearby Norseman goldmine, which essentially underwrites approximately 80% occupancy for over five years. At the time of acquisition the South Hedland assets were operated like a more traditional motel. However, under the Joint Venture's ownership the food offering has been improved, rooms are being upgraded and some longer-term tenure has been achieved for some of the rooms.

GDI made a \$33.0 million investment into the Co-living JV. It is intended that once the Co-living JV has sufficient scale and diversity, the assets will be syndicated, and the initial capital recycled.

Financial outcomes

Funds From Operation per security

GDI's FFO³ per security for the year was 5.28 cents (FY22: 5.29 cents). Property FFO for the year ended 30 June 2023 was \$38.3 million (FY22 \$33.9 million). Increases at Westralia Square (FY23 FFO of \$18.1 million vs FY22 FFO of \$12.7 million), the full year contribution from the two carparks (FY23 FFO of \$4.2 million vs FY22 FFO of \$1.3 million) and the part year contribution from the Co-living JV (FFO of \$1.1 million) were partly offset by a decrease from Mill Green (FY23 FFO of \$15.4 million vs FY22 FFO of \$19.0 million). The increase in Property Division FFO was offset by higher net interest expense (\$9.2 million vs FY22 of \$3.7 million).

Distribution

Notwithstanding GDI's conservative balance sheet, in FY23 we reset our distribution to 5.0 cents per security, reflecting the challenging interest rate environment whilst our portfolio is in a lease-up stage. For the distribution for the six-month period ended 30 June 2023 we also introduced a distribution re-investment plan (DRP). The DRP has been introduced to provide our securityholders with a cost-efficient method of increasing their holdings in GDI.

Gearing

GDI's balance sheet remains in a very sound position with gearing of 31%. GDI remains well within its Principal Facility⁴ covenants, with a Loan to Value ratio of 35.0% (Covenant of 50%) and an Interest Cover ratio of 3.0X (Covenant of 2.0X).

GDI has drawn debt of \$315.1 million on its Principal Facility and undrawn debt of \$40.8 million. In FY23, facilities were strategically utilised to fund the acquisition of GDI's share in the Co-living Joint Venture, finance the construction of WS2 and fund capital expenditure and lease incentives to reduce vacancies of the portfolio.

NTA per security

All wholly owned assets were revalued at least once during the year. NTA per security is \$1.25, down \$0.02 from 30 June 2022. GDI's weighted average capitalisation rate is 6.6%, and the average value per square metre of lettable area in the office portfolio is \$8,031⁵.

Hedging

At 30 June 2023 we had two interest rate caps on \$150.0 million of debt at BBSY of no greater than 3.0% to 31 December 2023 and a further \$50.0 million until 31 December 2024.

Post 30 June 2023, GDI acquired additional interest rate protection for \$150.0 million of debt at BBSY of no greater than 4.25% until 31 December 2023, a further \$200.0 million of debt at BBSY of no greater than 4.25% until 31 December 2024 and \$100.0 million of debt at BBSY of no greater than 4.25% until 30 June 2025.

Strategic turning point

GDI is relentlessly focused on executing leases for the balance of the portfolio. The strong momentum in the Perth market will underpin FFO growth. Strategically, GDI is positioned to capitalise on the relatively stronger Perth market to optimise a recycling of the portfolio towards East Coast markets as they enter a dislocation phase.

GDI's proposition is to be the best office property total return specialist, with a value driven approach to entering and exiting markets with agility, flexibility, and a through cycle funding structure. GDI is executing on its point of difference by delivering value enhancing timber and reuse buildings and high returns through the newly formed Co-living JV. The Funds Business adopts the same value driven approach and the strategy calls for an increased velocity in the syndicates.

FY24 Distribution guidance

We confirm that it is our intent to pay a cash distribution of 5.00 cents per security for FY24, subject to no material change in circumstances or unforeseen events. As with FY23, we would expect that a proportion of any cash distribution for FY24 will be paid out of capital.

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Authorised for release by David Williams, Company Secretary

1. The stapled group comprising GDI Property Group Limited (ACN 166 479 189) and GDI Property Trust (ARSN 166 598 161) and their controlled entities.
2. Includes 1 Adelaide Terrace, Perth (GDI No. 36 Perth CBD Office Trust).
3. FFO is a Property Council of Australia definition which adjusts AIFRS net profit for non-cash changes in Investment properties, non-cash impairment of goodwill, non-cash fair value adjustments to financial instruments, amortisation of incentives, straight-line adjustments and other unrealised one-off items. AFFO adjusts FFO for incentives paid during the period and maintenance capital.
4. GDI's Principal Facility is secured by first registered mortgage over the wholly owned investment properties held by GDI and a registered GSA over the assets of GDI.
5. Excluding \$1,000/sqm of value attributable to the public carpark at Westralia Square, comprising 357 car bays